

“THE MORALITY OF A CRACK DEALER” – THE BELOW COST SELLING OF ALCOHOL

Both parties in the current coalition government have similar views on the price of alcoholic drinks. During his election campaign, David Cameron said that deep discounting of alcohol in supermarkets was “encouraging irresponsible behaviour and we need to stop it”.

This reflected in the conservative manifesto, which included:

- Give local authorities and the police stronger powers to remove a licence from any premises causing problems
- Raise the duty on the drinks specifically linked to antisocial drinking
- Ban the selling of alcohol below cost

The Liberal democrats election manifesto included:

- Ban the selling of low-cost alcohol and apply minimum pricing
- Review the tax system to tackle binge drinking without penalising responsible drinking

The 2009 report from the House of Commons Health Committee on alcohol highlights a massive increase in alcohol consumption per head in the UK – up two and a half times since 1947 – and the impact this has had on the nation’s health. To take just one example, cases of cirrhosis of the liver are up by a factor of five times since 1970. The medical and social costs of excessive alcohol consumption are immense.

Although the Committee was not impressed by government’s attempts to create a “civilised café culture” to restrict excessive drinking, much of its criticism is reserved for the supermarkets. Most alcohol is now sold through supermarkets and other off licence premises. The reports highlights that 59% of the off-trade sales are made for less than 40p per unit. At the extreme, a 3litre bottle of white cider at 2.99p can deliver more than the recommended weekly alcohol units for a man in one bottle for less than 10p per unit.

The supermarkets sometimes sell alcohol below the cost of the duty on it, let alone below the cost price. Their attempts to justify this practice to the Committee seemed to come down to the morality of the playground; other supermarkets do it so we have to do so too. They also put forward the slightly contradictory view, that overall low prices do not make people buy more alcohol, merely switch brand. As Professor Plant put it, “Supermarkets are exhibiting the morality of a crack dealer”.

The Select Committee concluded that imposing a minimum price per unit of alcohol would be best way to combat aggressive discounting, since it is the most difficult approach for supermarkets to circumvent.

The RSA welcomes the Select Committee’s approach, to suggest limiting alcohol consumption by imposing a minimum price per unit.

For too long supermarkets have used the need to compete as an excuse for practices that can encourage excessive drinking. Their senior managers are decent human beings, but we need to change a system that can lead them inexorably to decisions that are clearly wrong for our wider society. The Competition Commission has defined its role by saying competition is all about low prices – hence selling alcohol below the level of the duty can seem a proper, even commendable, thing to do. They are wrong. The damage to society of alcohol being sold at prices considerably cheaper than cola, milk or bottled water is clear. Basic GCSE economics still works in this market – the cheaper the price of alcohol, the more is consumed.

The stances by the Conservatives and the LibDems in their manifestos seem considerably at odds with the reality of supermarket trading immediately after the General Election, as big retailers geared up for the football World Cup, selling cases of beer and lager way below cost price and hence incurring a considerable loss on each case sold. This predatory pricing is only possible for large companies with big macho egos and deep pockets, able to take short term hit in the expectation of longer-term gain.

The RSA is calling upon the new government to act quickly to prevent alcohol being sold at immoral prices – legislation to prevent selling of alcohol below the full cost of production and distribution needs to be implemented as soon as possible, ideally before the next big binge session – Christmas 2010.